Canadian Grain Commission | Commission canadienne des grains

Quarterly Financial Report:

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs (Unaudited)

For the Period ended December 31, 2012

Canada

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Canadian Grain Commission
Quarterly Financial Report
For the period ended December 31, 2012

1. Introduction

This quarterly financial report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*. It has been prepared by Canadian Grain Commission (CGC) management as required by section 65.1 of the *Financial Administration Act* and is in the form and manner prescribed by the Treasury Board Accounting Standard 1.3. This quarterly report has not been subject to an external audit or review.

1.1 Authority, Mandate and Program Activities

The Canadian Grain Commission was established in 1912 and is the federal government agency responsible for administering the provisions of the *Canada Grain Act* (CGA).

The CGC's mandate as set out in the CGA is to, "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets."

The CGC's vision is to be "A leader in delivering excellence and innovation in grain quality and quantity assurance, research, and producer protection." The CGC reports to Parliament through the Minister of Agriculture and Agri-Food.

In order to effectively pursue its mandate, the CGC aims to achieve the following strategic outcome: **Canada's grain is safe, reliable and marketable and Canadian grain producers are protected**.

The CGC's Program Alignment Architecture has five programs that each contribute to making progress to the sole strategic outcome. The programs are:

- Quality Assurance Program,
- Quantity Assurance Program,
- Grain Quality Research Program,
- Producer Protection Program, and
- Internal Services.

Further details on the CGC's authority, mandate and program activities may be found in the *Report on Plans and Priorities* and the *Main Estimates*.

1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting (modified cash) and a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying Statement of Budgetary Authorities compares the Department's spending authorities granted by Parliament to those used by the department. Information in the Statement of Authorities is consistent with that in the *Main Estimates* and *Supplementary Estimates*.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through *Appropriations Acts* or through legislation in the form of statutory spending for specific purposes.

The CGC uses the full accrual method of accounting to prepare and present its annual departmental financial statements included in the *Departmental Performance Reports.* However, the spending authorities voted by Parliament remain on an expenditure basis (modified cash) of accounting.

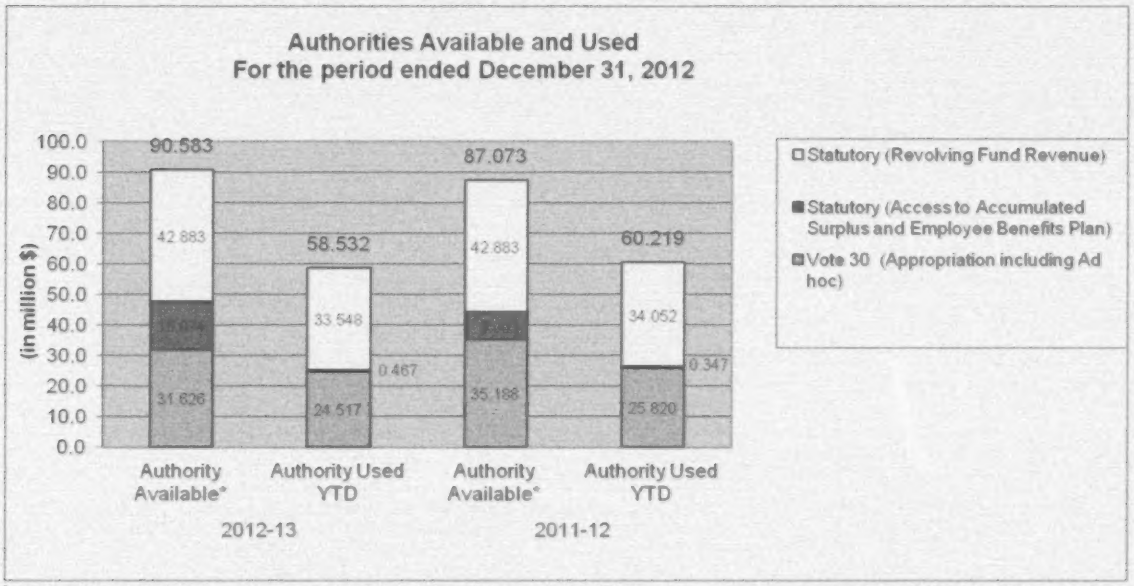
1.3 CGC Financial Structure

The CGC is funded by a combination of an ongoing appropriation, ad hoc appropriation and authority to re-spend fees collected. A revolving fund was set up for the CGC in 1995 with the expectation that the CGC would be largely self-funded through fees for service. However, the CGC's user fees have not increased since 1991, operating costs have continually increased, and annual grain volumes can fluctuate considerably from year to year. As a result, overall cost recovery has fallen from approximately 90 percent in the early 1990s to between 50 and 60 percent today. The CGC's falling cost recovery level has caused the CGC to rely on ad hoc government appropriation since 1999 to fund operations on an annual basis.

The CGC funding structure is based on budgetary authorities that are comprised of both statutory and voted (non-statutory) authorities. The statutory authorities include employee benefit plan authority for appropriation funded positions and the CGC revolving fund authority which allows the CGC to re-spend fees that it has collected. The voted authority is Vote 30 – Program Expenditures that includes annual appropriation authority and any ad hoc appropriation authority for the fiscal year.

2. Highlights of Fiscal Year to Date

This section highlights any significant items that affected the year-to-date results and/or contributed to the net change in resources available for the year and actual expenditures and should be read in conjunction with the *Statement of Budgetary Authorities* and the *Departmental Budgetary Expenditures by Standard Object* which can be found at the end of this report.



* Authority available based on amounts approved through the Estimates process. Amounts detailed in Statement of Authorities.

2.1 Authority Available Analysis

As reflected in the *Statement of Budgetary Authorities*, the department's total authority available for use (net of Revolving Fund revenue) in the fiscal year as at December 31, 2012 is $47.7 million, as compared to $44.1 million as at December 31, 2011. The increase of 7.6% ($3.6 million) can be attributed to the following changes in the CGC funding source elements:

1. Through Budget 2012, the CGC received a decrease of $3.4 million in its ad hoc appropriation authority for 2012-13. Budget 2012 identified ad hoc appropriation authority of $26.8 million for 2012-13. Budget 2010 identified ad hoc appropriation authority of $30.2 million for 2011-12.

2. The CGC received an increase of $7.0 million in its access to accumulated surplus for 2012-13 over the same period last year. Budget 2012 identified that the CGC should seek authority to access a portion of its accumulated surplus to support its operations in the amount of $15.5 million for 2012-13. The CGC was granted this authority effective April 1, 2012. Budget 2010 identified that the

CGC should seek authority to access a portion of its accumulated surplus to support its operations in the amounts of $8.5 million for 2011-12. The CGC was granted this authority in October, 2011.

Total available for use reflected in the *Departmental Budgetary Expenditures by Standard Object* differs from the revolving fund gross revenues as stated in both *Main Estimates* and the *Statement of Budgetary Authorities* due to the differences in budgetary authorities and planned spending. Planned spending forecasts re-spendable revenues of $37.626 million based on projected grain volumes of 50.6 million tonnes, while Main Estimates reflect the authority limit to re-spend revenue of $42.883 million in 2012-13.

2.2 Authority Used Analysis

As reflected in the *Departmental Budgetary Expenditures by Standard Object*, the department's total budgetary expenditures in the quarter ended December 31, 2012 is $8.679 million, as compared to $9.083 million as at the quarter ended December 31, 2011. The decrease of 4.4% ($0.404 million) can be attributed to an overall reduction of 2.1% ($0.439 million) in expenditures. Revenues collected remain consistent with the same period last year.

Total expenditures in the quarter ended December 31, 2012 are $20.903 million as compared to $21.342 for the quarter ended December 31, 2011. The decease of 2.1% (0.439 million) in quarter 3 is mostly attributed to the following significant variances:

1. Personnel expenditures in quarter 3 decreased by 4.3% (0.769 million) as compared to the same quarter last fiscal year due to a reduction in severance liquidation payments as a result of renegotiated collective agreements; and

2. Professional and special services expenditures in quarter 3 increased by 105.5% (0.269 million) as compared to the same quarter last year due to an increase in management consulting expenditures related to implementation of legislative changes.

In 2012-13, total expenditures to date decreased by 2.8% ($1.687 million) as compared to the same period last fiscal year. This decrease is mostly attributed to the following significant variances:

1. Personnel expenditures to date decreased by 4.52% ($2.269 million) as compared to the same period last fiscal year as a result of reductions in severance liquidation payments as a result of renegotiated collective agreements; and

2. Rental expenditures increased by 24.8%($0.746 million) as compared to the same period last year due to an increase in rental payments for office accommodations and a reclassification of repair and maintenance expenditures which is offset by an equivalent reduction in the repair and maintenance expenditures.

As reflected in both the *Statement of Budgetary Authorities* and the *Departmental Budgetary Expenditures by Standard Object*, overall expenditures are consistent between the quarters.

3. Risks and Uncertainties

The CGC receives funding through both voted appropriations and fees related to the handling of grain. Service fee revenue is largely based on grain volumes handled—a volume which fluctuates from year to year. The CGC revolving fund is utilized as effectively as possible, including planning for and accommodating a potential 20 percent swing in projected grain volumes during budgeting. The annual budget is also re-profiled through the year to deal with shifting needs and priorities that have arisen. For the current fiscal year, the CGC has handled an additional 21.2% in grain volumes year to date than its budget.

Legislation to amend the *Canada Grain Act* was introduced as part of Bill C-45, the *Jobs and Growth Act, 2012*, in October, 2012. Bill C-45 received royal assent on December 14, 2012. It is planned the CGA amendments will come-into-force on August 1, 2013. On November 1, 2012, the CGC launched consultations on new CGC user fees that reflect an updated CGA and streamlined CGC operations. The new user fees are proposed to take effect August 1, 2013 concurrent with changes to the CGA. The legislative amendments streamline the operations of the CGC by eliminating CGC services that are no longer required.

Updating user fees will eliminate the CGC's dependence on annual ad hoc funding and create a more stable environment for integrated people and business management. A stable funding environment will reduce overall organizational risk and allow the CGC to continue to successfully deliver its program activities and deliver upon its strategic outcome. While the amended CGA and updated user fees are planned to come-into-force on August 1, 2013, it is anticipated that changes to the CGC's operations and programs could commence in the fourth quarter of this year. Changes to the CGA and CGC's user fees may impact all program activity spending.

The CGC is working with Central Agencies to ensure appropriate funding is available to meet operational and staffing resource requirements as well as financial requirements resulting from possible Work Force Adjustment obligations.

4. Significant Changes to Operations, Personnel and Programs

Cheryl Blahey returned to the position of Chief Financial Officer. Brian Brown was assigned to Special Projects.

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and businesses to deal with their government; and, modernize and reduce the back office.

The CGC is unaffected by the savings measures as announced in Budget 2012.

Another measure referenced in Budget 2012 includes funding to support improving conditions for business investment, Budget 2012 provided $44.0 million over the next 2 years for the CGC to transition to a sustainable funding model.

Approved by:

Elwin Hermanson
Chief Commissioner
Winnipeg, Manitoba
February 15, 2013

Cheryl Blahey
Chief Financial Officer
Winnipeg, Manitoba
February 15, 2013

Statements of Budgetary Authorities (Unaudited)

For the period ended December 31, 2012

(in thousands of dollars)	*Fiscal Year 2012-13* Total available for use for the year ending March 31, 2013*	Used during the quarter ended December 31, 2012	Year-to date at quarter end	*Fiscal Year 2011-12* Total available for use for the year ending March 31, 2012*	Used during the quarter ended December 31, 2011	Year-to date at quarter end
Vote 30						
Appropriation including Ad hoc	$31,626	$ 8,523	$ 24,517	$ 35,188	$ 8,927	$ 25,820
Statutory Authorities:						
Revolving Fund Gross Expenditures	58,335	12,224	33,548	51,263	12,259	33,932
Revolving Fund Gross Revenues	(42,883)	(12,224)	(33,548)	(42,883)	(12,259)	(34,052)
Revolving Fund Net Expenditures	$ 15,452	$ 0	$ 0	$ 8,380	$ 0	($ 120)
Employee Benefit Plan	622	156	467	622	156	467
Total Statutory Authorities	16,074	156	467	9,002	156	347
Total Budgetary Authorities	$ 47,700	$ 8,679	$ 24,984	$ 44,190	$ 9,083	$ 26,167

** Includes only Authorities available for use and granted by Parliament at quarter-end*

Due to rounding, totals may not add to totals shown.

Departmental Budgetary Expenditures by Standard Object (unaudited)

For the period ended December 31, 2012

(in thousands of dollars)	Fiscal Year 2012-13 Total available for use for the year ending March 31, 2013*	Expended during the quarter ended December 31, 2012	Year-to date at quarter end	Fiscal Year 2011-12 Total available for use for the year ending March 31, 2012*	Expended during the quarter ended December 31 , 2011	Year-to date at quarter end
Expenditures:						
Personnel	$ 69,956	$ 16,930	$ 47,989	$ 67,914	$ 17,699	$ 50,258
Transportation and communication	4,106	1,179	2,817	4,230	1,254	3,131
Information	167	31	114	168	57	124
Professional and special services	2,264	524	1,553	1,758	255	1,301
Rentals	5,481	1,212	3,760	4,072	1,018	3,014
Repairs and Maintenance	492	210	337	819	245	606
Utilities, materials and supplies	696	164	477	848	299	628
Acquisition of machinery and equipment	2,155	651	1,478	1,562	515	1,156
Other Subsidies and payments	9	0	6	2	0	1
Total Expenditures	**$ 85,326**	**$ 20,903**	**$ 58,532**	**$ 81,373**	**$ 21,342**	**$ 60,219**
Revolving Fund Revenue (To be credited to Vote)	(37,626)	(12,224)	(33,548)	(37,183)	(12,259)	(34,052)
Total Budgetary Authorities	**$ 47,700**	**$ 8,679**	**$ 24,984**	**$ 44,190**	**$ 9,083**	**$ 26,167**

** Includes only Authorities available for use and granted by Parliament at quarter-end*

Due to rounding, totals may not add to totals shown.